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Ask an Advisor: How can I help clients retire to, not from, something? (Part 1)

By Rob Burgess
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Welcome back to "Ask an Advisor," the advice column where real financial professionals answer questions from real people. The topic can be anything in the world of finance, from retirement to taxes to wealth management — or even advice on advising.

At the end of a long, successful career, the thought of retirement can be quite anxiety-inducing for some clients.

That's because people's self-worth is often tied to what they do for work.

In this edition, an advisor asks their peers how to help clients avoid turning the dream of much-deserved leisure into a nightmare. Here's what he wrote:

Dear advisors,

What are the most common psychological challenges retirees face when transitioning from full-time work to retirement, and how can advisors help clients navigate these changes?

How do you address issues related to identity and purpose with clients who struggle to find meaning and fulfillment in retirement?

What strategies do you recommend for emotionally preparing clients for retirement, beyond the financial aspects?

Sincerely,

Zack Swad, president and wealth manager

Swad Wealth Management

Santa Rosa, California

Turns out, financial advisors had an awful lot to say on the subject. Here's Part 1 of what they wrote back (be sure to check back next week for Part 2):

Make a list and check it twice

Kiersten Peshek, lead wealth advisor at Citrine Capital Advisors in San Francisco

Some of the biggest issues folks face in retirement are loneliness and not knowing how to fill their time if they are no longer working a job. One of my favorite approaches to address these issues is mini-experiments and these can be done before or after a person retires.

Essentially, I advise my clients to sit down with a piece of paper and a pen — or a computer with a Word document open if they prefer taking notes electronically — and write down all the things they can think of that they want to try throughout their lifetime that they never got the chance to do because they were too busy with work, taking care of family, etc.

Once the list is created, we experiment. For example, if the first thing on their list is photography, take a two-to-three-week long photography class and test it out. As they take the class, they should note how it makes them feel. Does it bring them joy? Is it sparking their interest in learning more about photography? Or did they realize photography is not for them? If the answer is, "yes, I loved this and want to learn more," then they can take another class, maybe start buying some photography equipment, etc. If the answer is no, then we move on to the next item on the list.

You are not sinking tons of time, money, effort, etc. into a hobby you may not even like. Imagine spending thousands of dollars on photography equipment and then realizing you never use it. This happens often for folks and that can bring up feelings of shame and guilt for having spent all that money on something you ultimately didn't enjoy.

Additionally, this approach helps you move through things quickly to find what you do like. Rather than spending months trying one thing, a few weeks at a time means you can pretty quickly figure out what you enjoy and don't enjoy on your list.

As you find things you enjoy doing, depending on what those things are, you are more likely to find community — and therefore address feelings of loneliness — as you get deeper into those activities.

Recreating the monthly paycheck
Carla Adams, founder and financial advisor at Ametrine Wealth in Lake Orion, Michigan

Many clients feel very strange to no longer be receiving a paycheck and it's an uncomfortable feeling shifting from the wealth accumulation phase to the spending down phase. Most of my retired clients, therefore, like to get a monthly withdrawal from their investment account set up automatically so that it feels similar to getting a monthly paycheck.

Many of my retired clients spend the first several years of retirement traveling. They also start getting involved in hobbies and broadening their social lives, soon sometimes finding themselves even busier than they were when they were

working. Many enjoy having more time to spend with their grandchildren as well. Some of my clients opt to work part time in retirement because they love working but are just ready for more free time and flexibility in their lives. In fact, with many companies these days struggling to attract and retain talent, I've had several clients whose companies pay them quite well to stay part time and continue to contribute their experience and knowledge.

In my experience, most of my clients quickly adapt to retirement and it's the later years of retirement where some start to struggle. Dealing with their health issues or caring for their spouse's ailments can take a toll on people. They are less mobile, which can often lead to them being less social. Often their grandchildren are grown up and busy with their work and kids. While many continue to flourish, often despite mobility and other health issues, for those without close family and friends, boredom and loneliness can become a big struggle.

Uncertainty breeds fear
Stephen Roth, principal and founder of Limestone Financial Group in Newark, New Jersey

The psychological issues retirees face transitioning to retirement will still revolve around uncertainty. For assumptions in your article, assume the financial uncertainty has been removed as a result of proper planning to prepare for the event, the couples' chances of not outliving their savings was 98% in a Monte Carlo simulation to age 100 stress-testing assets and distribution scenarios.

The uncertainty may creep in because we are engaged and connected at work, on a team in a community belonging to something. I've seen clients make the best of it by volunteering at food pantries through their church, clients becoming school crossing guards in their town or if they have specific plans to travel they are on the calendar and spending money to enjoy their goals. That is the point behind all this planning so you can feel good about spending your money in retirement. You have income sources to cover your monthly cash flow needs without having to take monthly distributions out of your investments as needed. When you are winging it, you're not paying attention to the numbers you have, your way of doing things and preferences.

Understanding our behavioral biases can be hard for us to do by ourselves so start with a professional that understands the psychology behind financial planning and use planning as a scientific method to gain a deeper understanding of the world, so we don't have to live by human trial and error.

There is no right or wrong way to retire
Susan M. Mitcheltree, partner and director of communications at Berman McAleerin in Timonium, Maryland

The transition from full-time work to retirement is fraught with twists and turns. Retirees can experience a loss of identity or purpose, a meaningful decrease in

their social interactions and a heightened anxiety around things outside their control, like the normal ebbs and flows of equity investing. The earlier a retiree identifies these struggles and takes steps to work through them, the better for their financial and mental well-being.

Experiencing the retirement transition and its challenges with many clients puts advisors in a unique position to help their clients navigate their path forward.

The first key to a successful transition is understanding that it is a process and that it may take some time to adjust and find your groove. Retirees who create a schedule with some planned activities, as well as ample free time, can enjoy the benefit of having daily purpose without the stress of operating life at a breakneck pace typical when balancing family obligations and a full-time job.

Openly discussing your fears and concerns with those you trust is also important and discussing financial concerns to your advisor is a great way to open a helpful dialog early in the process. Fear and anxiety are emotions so charts, graphs and numbers are not enough. Some fears are irrational whereas others have merit. Talking through the emotions, acknowledging them and understanding that these feelings are all part of the process can help quell that early retirement anxiety some of us feel as we make this big life change.

One of the most important things to ask yourself is why you want to retire. Many times, the answer is something unexpected: My friends or family members are telling me I should. I'm one of the oldest people at my company. I feel like I should retire given my age. The first real question is, do you want to retire? I have many clients who work well into their 60s and 70s and some even into their 80s. They have found the purpose of employment and the social interactions they maintain greatly benefit their lives. Even if they don't need the extra money, they like the paycheck, big or small, as it just makes them feel good.

There is no right or wrong way to retire as people have done it all sorts of ways, successfully. My advice: Be open to trying new things and be willing to switch gears if you try something and it doesn't work. Flexibility is key and as long as you have that attitude and take that approach, you'll eventually find what works for you and brings you fulfillment.

Turning off the urge to save
Anitha G. Rao, financial planner at Financial Architects in Woodstock, Georgia

The biggest challenge we face with retiring clients is the anxiety of "turning off the paycheck spigot" and "turning on the retirement portfolio spigot." Lots of clients have been conditioned to save, save, save and when it comes time to retirement they have a fear about dipping into retirement savings that they have accumulated. We are mindful of having good conversations with them and reminding them that this is what they are saving for: a quality and purposeful retirement. Part of that is showing the calculations and numbers, often several times, leading up to retirement to provide reassurance.

We generally know in advance when the client is going to retire, but sometimes it comes as a surprise due to things like layoffs and health issues. Since we have been working with the client for several years, the qualitative part of advising also involves asking a lot of questions and having conversations on, "What does retirement look like?"

One item I like to discuss in preparing for a fulfilling retirement is making a list of things — whether they are experiences or hobbies — that they have always wanted to do, but never had the time to do. While some folks have struggled with being retired, it usually fades over time as they find their new groove in life. We highly encourage them to be more active in their social groups to make sure they maintain connections. This is generally harder for men as they make a lot of social connections through their jobs.

Again, having those good conversations about what retirement looks like is helpful. Asking them to imagine what day-to-day life would be like before retirement. At times, suggesting that they give their expertise to charitable organizations is a great option. It's a win-win both for the client who still would like to "do something," but not be tied to a 9 -to 5 commitment, and the organization which can benefit from the client's expertise in the business world.

Help clients visualize retirement
Uziel Gomez, founder and financial planner with Primeros Financial in Los Angeles

One psychological struggle retirees often face during the transition from full-time work to retirement is an identity crisis. A significant part of a professional's identity is often intertwined with their career, especially if they find it fulfilling. Upon retiring, many retirees find themselves grappling with how to fill their days. While they can certainly explore hobbies and other activities, they typically seek something more meaningful to provide a sense of purpose and fulfillment in this new phase of life.

An advisor can assist pre-retirees by helping them create a visual representation of what their day might look like in retirement. This process allows clients to envision their future and be intentional about their pursuits before transitioning. The advisor can also ask thought-provoking questions to explore whether a part-time or volunteer role could ease the transition. Many clients find fulfillment by working with nonprofit organizations and engaging in meaningful activities they wish they could have pursued earlier in life. It's essential to remind clients that they have the power to define their next chapter; retirement doesn't have to mean sailing off into the sunset without purpose.

If you act unemployed, you feel unemployed
Jeremy Bohne, founder of Paceline Wealth Management in Boston

The key factor to thriving in retirement is creating a new identity and purpose,

not just the absence of work. That's why people whose professional roles and identities are closely attached often struggle when they retire.

If you act unemployed, you feel unemployed, because you haven't defined a clear purpose for yourself. That's not healthy.

Some people successfully handle the transition to retirement by making a "career" out of their hobbies.

And for others who continue to crave some sort of work, they draw on past experiences in making a big career transition.

In both cases, people need to create new relationships, find new ways of managing their time, and build new skills.

The good part is that if money isn't a motivating factor for how you spend your time, you have a ton of freedom in what you choose to do.

That's why many people realize that structure isn't bad when you get to control it.

Avoid the corporate hustle in retirement
Nicholas Bunio, CFP at Retirement Wealth Advisors in Downingtown, Pennsylvania

One thing retirees need to understand is this: Your mentality is different with a part-time job versus your former career or careers.

Being reliable and getting the job done is one thing. But retirees, and those planning for it, need to understand that your part-time job is that: a part-time job.

You're not going to be looking for a career. You're not going to want pressure. That's why so many people who try "consulting" work or "cooperate part-time" work, ultimately hate it and quit.

Why? Too often, like what happened to my dad, these corporate jobs have pressure. Pressure to meet tight deadlines. Pressure to work on your days off. Often, these jobs are project-based.

So these might last three months. But for these three months, you can easily work 60-plus hours per week. It's summer and you want to go to the shore or play golf? You can kiss that goodbye. My dad even had a part-time consulting job that paid hourly. The issue was, it was five hours of work, and his manager wanted it done in 1.5. And his manager wasn't afraid to get on his case.

Between that and low pay, it wasn't worth it.

At 60-plus, especially at 70, retirees aren't going to want that pressure. They want time off, after all, they are retired.

That's why many work in places like a grocery store, Home Depot, gift shops, golf club or volunteer. They keep busy, and might earn a few extra bucks, but these jobs are more laid back and don't have the pressure or the "hustle'" of corporate deadlines.

If you like your work, don't retire
Robin Hovis, a financial advisor at LPL Financial in Millersburg, Ohio

The best advice for the non-financial aspects of retirement is that a person should not retire from their job, but rather they should retire to something else that interests them. They should not retire simply because they have accumulated the minimum years of service credit in their present pension system, or [because] they are frustrated with a new supervisor and can afford to retire. If you like your work, then don't retire. Before deciding to retire, one should first give thought to how to apply time after leaving the workplace. Boredom is a real threat, which sets in after about six months and can lead to alcoholism and social and marital problems. There seem to be three domains of activity for happy retirees:

1. Paid part-time employment or consulting.

2. Unpaid volunteer work/community service.

3. Self-motivated activities such as writing a book, restoring a historic house or barn, planting and tending an orchard or holding a public office.

Leisure pursuits such as travel and visiting family can be worked into one's schedule around any of these above-cited activities, but leisure pursuits by themselves should not be viewed as a fulfilling "occupation" for retirement. The enjoyment wears off too soon.

Don't let clients lose their purpose
Andrew Damcevski, founder and financial planner at AJD Wealth Management in Cincinnati, Ohio

The most common psychological challenge that a retiree faces is that feeling of loss of purpose. For decades, their identity was largely composed of what they did for work and their friends were often coworkers. Their role was clear and their purpose was clear. When they retire, they find themselves with 40 new hours to fill and an unclear mission; that can be a lot to take in.

What I help my clients do is figure out what they enjoy most and then I actively encourage them to do more of that. If they are mission-driven, then that itch can be scratched by volunteering or even working part time. Something that gives structure to the day and moves an organization forward. If they value traveling

with friends and family, then doing more of that; using their money to create memories is a powerful move in retirement that can bring a lot of joy and fulfillment to a retiree's life.